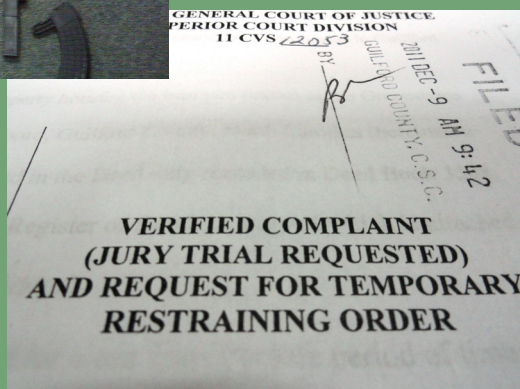


NORTH CAROLINA
DEPARTMENT OF PUBLIC SAFETY
ALCOHOL LAW ENFORCEMENT DIVISION



2011 DIRECTOR'S REPORT TO THE SECRETARY

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"Law enforcement officers are never 'off duty.' They are dedicated public servants who are sworn to protect public safety at any time and place that the peace is threatened."

~ Barbara Boxer

TO THE SECRETARY:

I am pleased to submit this report of the activities of the Alcohol Law Enforcement Division for the 2011 calendar year.

The Division continues to focus on the consistent and efficient enforcement of the alcoholic beverage control laws across the state. Through a coordinated effort of education, training, regulation, and enforcement, the Division continues to take the necessary steps to ensure the public safety of the citizens of North Carolina.

We continue to balance enforcement projects that have an immediate impact on reducing criminal activity with those long-term investigations that result in permanent positive changes within communities. The enclosed report highlights some of these projects and provides a snapshot of the progress ALE personnel are making to advance the Division's mission.

In 2011, the Division participated in our third accreditation assessment and received the highly coveted designation of Advanced Accreditation with Excellence from the Commission on Accreditation for Law Enforcement Agencies (CALEA). We continue to work toward an additional accreditation certificate through the Polygraph Law Enforcement Accreditation (PLEA) program.

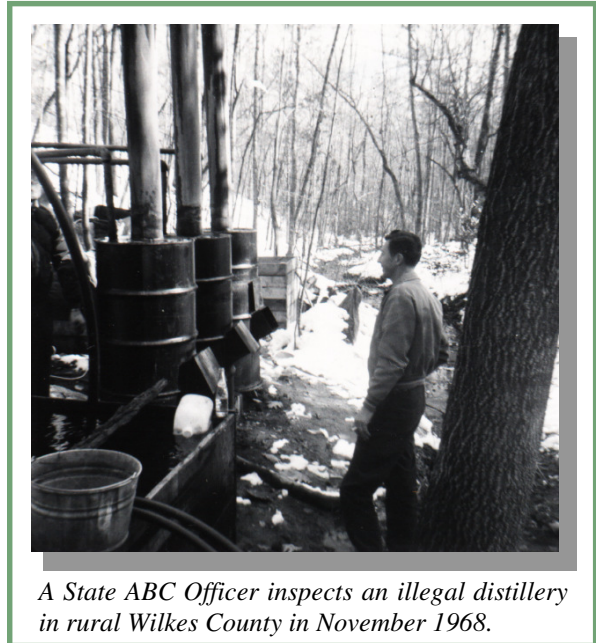
By continuing to use forfeited funds for equipment and training, the Division has been able to procure items needed to support our sworn personnel without depleting the general budget or using taxpayer dollars. This financial approach allows ALE to combine operational effectiveness with fiscal responsibility, thus creating a positive solution that benefits special agents as well as the citizens of the state.

The ALE Division's dedicated and innovative employees made wise use of limited manpower and resources in 2011 to accomplish remarkable feats; we look forward to continuing the Division's mission in 2012 as part of the newly formed Department of Public Safety.

C. John Ledford, Director

In the early 1900s, alcohol enforcement across America underwent sweeping changes. The passing of the 18th Amendment in 1919 resulted in an explosion of rampant crime and corruption. Federal enforcement of Prohibition fell to the Bureau of Internal Revenue within the Department of the Treasury, while enforcement at the state level was left on a county-by-county basis under the direction of local police departments and Sheriff's Offices.

There was little coordination of alcohol enforcement at the state level until 1937 when the North Carolina Legislature created the State Alcoholic Beverage Control Commission. Although Prohibition had been repealed four years earlier by the 21st Amendment, splintered enforcement efforts within North Carolina meant that illegal activities such as moonshining and smuggling remained common, unchecked practices in rural areas. In 1949, the State ABC Enforcement Division was formed under the auspices of the State ABC Commission. While there was now a dedicated state agency charged with the regulation of alcohol, State ABC Enforcement officers were afforded very limited powers of arrest. These limitations were addressed in 1971, when the General Assembly granted officers full arrest authority for all criminal offenses throughout the state.



In order to organize many of the law enforcement and public safety services provided by the State of North Carolina, the Department of Crime Control and Public Safety was formed in 1977. To ensure fairness to ABC permit holders, lawmakers realized that it was necessary to separate the administration and enforcement of the ABC laws, and moved the Enforcement Division of the ABC Commission to the new Department of Crime Control and Public Safety. The relocated agency was renamed as the Alcohol Law Enforcement Division (ALE), and its enforcement personnel became agents.

Soon after its creation, two important events would occur that would test ALE's preparedness: the passing of liquor by the drink in 1978 and the raising of the legal drinking age to twenty-one in 1986. Agents had to quickly adapt to new rules and regulations regarding liquor by the drink as counties and municipalities rushed to pass the new provisions. When the legal drinking age was raised under pressure from the Federal government, ALE was faced with striking a balance between the old law and the new law. Suddenly, young people who were of legal age just yesterday, were now violators if found with an alcoholic beverage the very next day. ALE succeeded in meeting both of these challenges and addressing them in exemplary fashion.

Over the years, ALE has received expanded responsibilities, including controlled substance, tobacco and lottery enforcement, as well as bingo administration, and supervision of the NC Boxing Authority.

In January 2012, ALE once again transitioned to a new department, when the former Departments of Correction, Crime Control and Public Safety, and Juvenile Justice and Delinquency Prevention were merged into the Department of Public Safety. Although administrative oversight of ALE has shifted, its mission and focus remain unchanged.

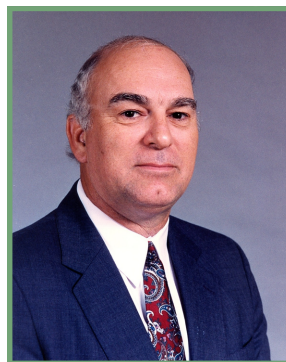
ALE DIRECTORS 1979 to PRESENT



John B. Brooks
2/1/1979 - 1/1/1980



Donald M. Murray
1/1/1980 - 9/30/1992



Roland W. Dale
3/29/1993 - 2/28/1997



John D. Smith, III
3/1/1997 - 5/31/2002



Michael D. Robertson
10/7/2002 - 10/31/2007



William C. Chandler
11/1/2007 - 11/1/2009



C. John Ledford
11/2/2009 - Present

The North Carolina Alcohol Law Enforcement Division is divided into nine geographical areas, or “districts.” Each district is supervised by a Special Agent In Charge, with Assistant Special Agents In Charge and Special Agents falling under his or her command.

ALE is staffed by 112 sworn members as follows:

1	Director
1	Deputy Director for Law Enforcement Services
1	Deputy Director for Operations
1	Assistant Director for Special Investigations
1	Assistant Director for Professional Standards & Development
9	Special Agents In Charge
12	Assistant Special Agents In Charge
1	Boxing Authority Asst. Special Agent In Charge (receipt-based)
4	Special Agents Assigned to State/Federal Task Forces
81	Special Agents for Field Enforcement*
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112	Total Sworn Personnel

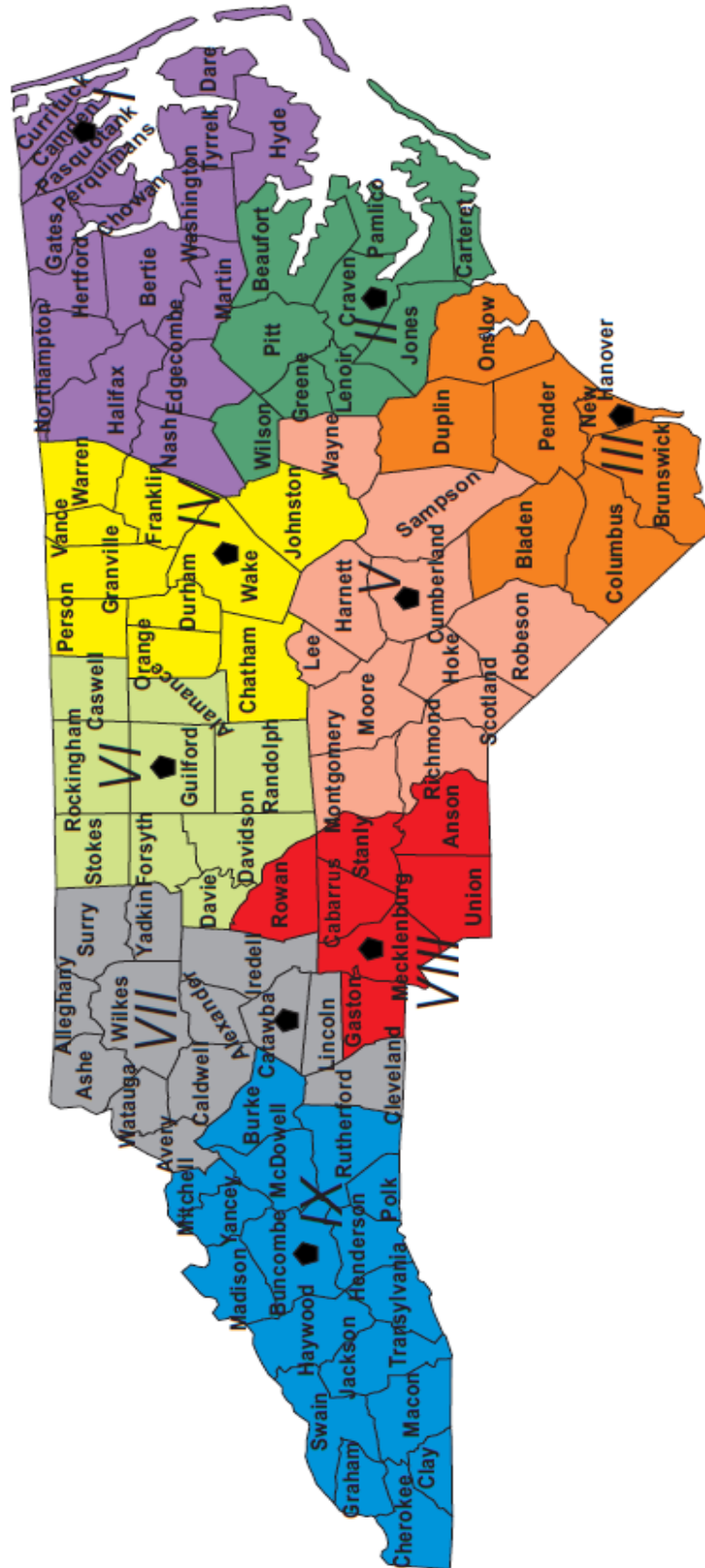
*Thirteen (13) Special Agent positions are funded through a contract with the North Carolina Education Lottery for the purposes of lottery investigation and enforcement.

Providing administrative support for field personnel is a vital task performed by civilian employees, which is essential to the efficient day-to-day operation of the Division. Civilian personnel staff positions in Bingo Licensing, the NC Boxing Authority, Tobacco Regulation and Lottery Sections. Civilian employees are assigned as follows:

9	District Office Assistants
1	Bingo Licensing Administrator
1	Tobacco Enforcement Coordinator (receipt-based)
1	Boxing Authority Coordinator (receipt-based)
1	Accreditation Manager
2	Lottery Support Positions**
3	Headquarters Support Positions
<hr/>	
18	Total Civilian Personnel

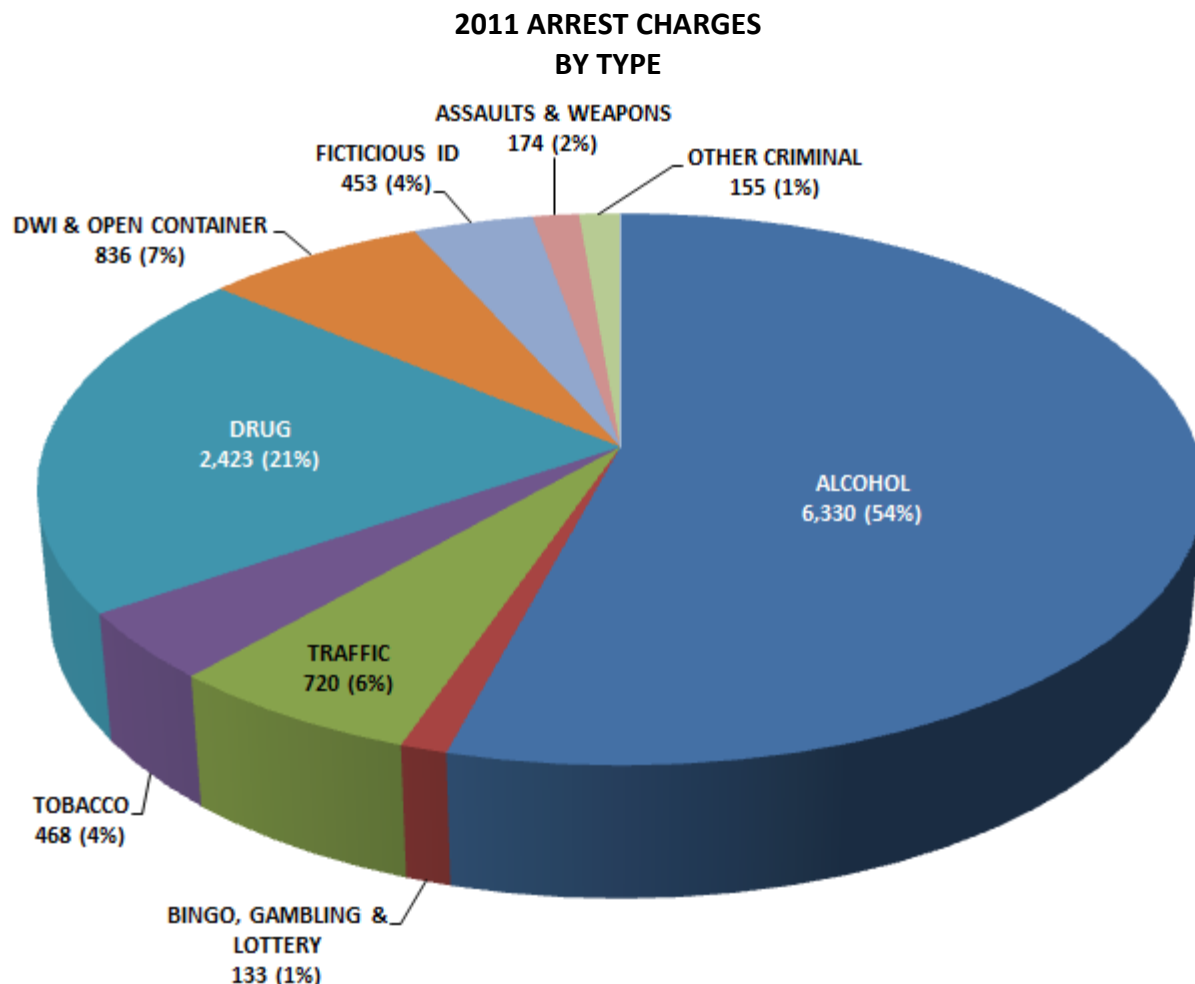
**Two (2) civilian positions are funded through a contract with the North Carolina Education Lottery for the purposes of lottery investigation and enforcement.

ALE DISTRICT BOUNDARIES



The Alcohol Law Enforcement Division's 2011 accomplishments illustrate we are an organization of remarkable people doing great things for the communities we serve. Statistically, we ended the year with excellent results which demonstrate our resolve to keep the citizens of North Carolina safe. Fundamental to our success is a sense of duty on the part of our civilian and sworn personnel and a commitment to conduct ourselves in a way which does not discredit the employee, the agency, or the community. Our Division is comprised of law enforcement professionals who are highly responsible and welcome a variety of challenges: assisting a federal task force dismantling a violent street gang or illegal gun running operation, working a special enforcement operation centered on stopping drug activity in a small town neighborhood, or responding to a long-term disaster recovery operation, are but a few examples.

In 2012, we remain steadfast in our resolve to partner with local, state, and federal law enforcement agencies to reduce violent criminal activities throughout North Carolina. The strategies we have implemented demonstrate ALE is committed to combating illegal activities associated with street gangs, guns, and drugs.



The following summaries of investigations, cases, and events from 2011 exemplify the types of work agents routinely carry out.

District I - Elizabeth City
Special Agent In Charge Gilmer P. Forbis

Counties: Bertie, Camden, Chowan, Currituck, Dare, Edgecombe, Gates, Halifax, Hertford, Hyde, Martin, Nash, Northampton, Pasquotank, Perquimans, Tyrrell and Washington.



Operation Wipeout, a long-term Organized Crime Drug Enforcement Task Force (OCDEF) investigation, originated in Washington, Tyrrell, and Hyde counties and spread to other parts of Eastern and Central North Carolina. As a result, over 100 subjects are under Federal indictment for narcotics, firearms, and gang-related activity. Seizures included eight pounds of marijuana, four kilograms of powder cocaine, over \$100,000 in US currency, and firearms. The operation was recognized by the NC Gang Investigators Association as the Investigation of the Year, and Special Agent Adam Boyd was recognized as the Narcotics Officer of the Year by the NC Narcotics Association.



A sampling of weapons, US currency and controlled substances seized during Operation Wipeout.

During 2011, nuisance abatement actions and summary suspensions of ABC permits were conducted across the district. At the request of the Bertie County Sheriff, agents initiated a nuisance abatement investigation at Club 252 in Windsor. This club had become a site of continuous violence and criminal activity affecting neighbors and patrons. The outlet was closed and is no longer a problem for that community. J J's Café, located in Scotland Neck, had become a site of violent criminal activity and a patron was shot inside the location. Working directly with the North Carolina Alcoholic Beverage Control Commission (ABCC), agents obtained a summary suspension of the ABC permits and the outlet was closed. Employees at Five Brothers Mart in Rocky Mount had been suspected of distributing narcotics inside the licensed establishment. Working with investigators from the Rocky Mount Police Department, an investigation was conducted and several arrests were made. The temporary ABC permit was suspended indefinitely and the outlet was closed. Hux Billiards, located in

Rocky Mount, relinquished its ABC permits following pressure from law enforcement and the community at large after the murder of a patron inside the outlet. The temporary permits at Stingwray Station were suspended indefinitely after Special Agent Jimmy Pierce uncovered an illegal ownership.

Special Agents Brandon Lanier, Charles Parker, Steven Stile and Kelvin Dickens partnered with local law enforcement agencies in Tarboro, Enfield, and Scotland Neck to spearhead Operation Tri-City, a long term community impact investigation. This operation focused on street level narcotic distributors in Edgecombe and Halifax counties as a result of outcry from citizens and community leaders directly affected by this criminal activity. The largest heroin seizure in Scotland Neck history included 30 bricks of powder heroin weighing approximately one pound. The special operation resulted in approximately 150 felony charges on over 50 individuals.



Items seized during Operation Tri-City included 30 bricks of powder heroin with an approximate total weight of one-pound.

Two source investigations were initiated in 2011 in District I. The first was due to an Edgecombe County teen killed as a result of intoxicated driving. The investigation determined the teen obtained alcoholic beverages at a house party, and three separate ABC licensed locations were determined to have sold alcoholic beverages to the underage persons attending the party. Administrative ABC violations are pending with two of the locations. The second investigation was a traffic accident in Nash County resulting in the death of a teenage passenger who was struck by an intoxicated driver. The investigation determined the deceased had obtained alcoholic beverages from an of-age provider earlier that evening. That provider was located and charged with giving alcoholic beverages to an underage person.

An illegal lottery was discovered in Martin County while executing a search warrant at an illegal alcohol establishment, during which \$44,000 in US currency was seized. A federal investigation was initiated and this case is being prosecuted by the US Attorney's Office under the RICO Act given its connection to organized crime.

District II - New Bern
Special Agent In Charge Diane J. Chapin

Counties: Beaufort, Carteret, Craven, Greene,
Jones, Lenoir, Pamlico, Pitt and Wilson.



In January, District II agents made controlled purchases of fraudulent identification documents (Resident Alien card, Texas Driver's License and Social Security card) with the assistance of the Beaufort County Sheriff's Office. The driver's license was purchased from an employee at an ABC licensed outlet. Agents executed a search warrant on the manufacturing location, resulting in the arrest of two subjects on four felony and two misdemeanor charges.

Agents were busy in the ECU/Greenville areas in 2011. In February, surveillance and a controlled purchase of alcoholic beverages at the Pi Kappa Phi Fraternity House resulted in the execution of a search warrant. Sixty citations were issued for underage possession and consumption of alcoholic beverages; those in charge were cited for sale and possession for sale without permits and the fraternity charter was suspended. Agents continued their efforts in March when they investigated another house party selling alcoholic beverages, resulting in 75 citations being issued. Agents also conducted a mobile enforcement operation in Greenville utilizing resources from across the state. The operation resulted in 202 arrests citing 246 charges and the execution of two search warrants at illegal outlets, one a college party and the other a business. Agents also conducted a successful back to school mobile enforcement operation in August, and in October, another mobile enforcement operation during the Halloween holiday resulted in 380 arrests citing 446 charges.

District II agents investigated three licensed ABC outlets selling counterfeit goods in Beaufort County. With the assistance of the NC Secretary of State's Office, agents conducted buy/bust operations which led to the felony arrest of the manufacturer of the counterfeit goods. As a result of the investigation, agents conducted a consent search of a residence in Raleigh. In total, 887 CDs, 256 DVDs, 1,200 blank CDs and DVDs, a computer, hard drive, printer, and two Apple iPhones were seized, with an approximate total value of \$7,220.

Agents worked with federal, state, and local agencies in Operation Counterpunch, a community betterment project. To date, this ongoing operation has yielded 65 arrests, as well as the seizure of 22 firearms, \$2,082 in US currency and controlled substances with a street value of \$54,580.

In Belhaven, agents investigated a complaint alleging illegal sales of alcoholic beverages and marijuana, resulting in the execution of a search warrant at an illegal outlet. Two subjects were arrested and charged with felony possession of cocaine, maintaining a

dwelling for controlled substance, possession of controlled substances within 1,000 feet of a park, and possession of drug paraphernalia. One was also charged with selling and possessing alcoholic beverages for sale without permits. Approximately 10.8 grams of powder cocaine were seized.

District III - Wilmington
Special Agent In Charge William I. Berryhill

Counties: Bladen, Brunswick, Columbus, Duplin, New Hanover, Onslow and Pender.



In December, District III agents were requested by the Columbus County Sheriff's Office and the District Attorney's Office to assist with a triple shooting at an illegal club. Two of the shooting victims were underage females. Agents conducted property research and field interviews, and as the result of the investigation, agents developed enough information to charge the two promoters of the party with several ABC law violations. A nuisance abatement warning letter was drafted and served on the property owner.

In summer 2011, a District III agent was conducting surveillance at a problem ABC outlet. While watching the store, he observed a Budget rental truck arrive at the business. Based on information previously received, the agent suspected synthetic drugs were being delivered. The driver gave consent to search the truck which resulted in the discovery of 598 packets of synthetic cannabis, also known by the street name "spice." The items totaled 898.5 grams with a value of \$17,500 and a controlled substance tax value of \$44,925. The driver was arrested and confined to the Onslow County Jail under a \$125,000 bond.



Synthetic cannabis, or "spice" was a focus of ALE's controlled substance enforcement efforts in 2011.

In late January, agents were requested to investigate the Rhino Club in downtown Wilmington as a possible public nuisance. The New Hanover County District Attorney's Office and the City of Wilmington requested ALE's assistance after several violent altercations, including a homicide, occurred at

the property. Agents conducted affidavit interviews and drafted civil pleadings. As a result of the investigation, a civil nuisance case was filed and a consent judgment entered. The location can no longer operate as a bar or nightclub.

In March, ALE agents and officers with the NC Wildlife Resources Commission began an investigation into marijuana grow fields on the Holly Shelter Game Land in Pender County. During the course of the investigation, the grower was identified which led to the execution of a search warrant at a residence in New Hanover County. During the execution of the warrant, an indoor grow room containing 11.5 pounds of marijuana was discovered, along with various drug paraphernalia, firearms, and a large amount of ammunition. Follow-up interviews identified the suspect cultivating the marijuana and he was charged with numerous felony controlled substance offenses, including trafficking.



ALE Special Agent Kenneth Simma (r) and a Wildlife Resources Commission officer with marijuana seized in Pender County.

In the fall of 2011, agents executed a search warrant at an illegal outlet in Duplin County. The search resulted in a seizure of over 30 cases of beer, fake IDs, and over \$3,000 in US currency. During the search, the floors and walls were found to be covered in blood and animal organs were strewn throughout the kitchen, as the persons operating the outlet had butchered a cow inside the residence.

District IV - Raleigh
Special Agent In Charge Jeffrey L. Lasater

Counties: Chatham, Durham, Franklin,
 Granville, Johnston, Orange, Person, Vance,
 Wake and Warren.



In February, District IV agents and the Durham Police Department concluded a community betterment investigation involving ABC licensed establishments purchasing stolen goods. Search warrants were served at the Star Carolina Food Mart, Durham Mini Mart, Tobacco Town II, Big Apple Mini Mart, and Los Primos. Among the items seized were

\$60,724.66 in US currency, seven guns, and approximately \$5,000 in stolen goods. Twelve people were charged with violations of organized retail theft. Special Agent Mike McKeithan charged 11 persons with 11 counts of knowingly allow violations to occur on the ABC licensed premises, six counts of possession of alcoholic beverages for sale without permits, and one count of possession of counterfeit goods. Four violation reports were submitted to the ABC Commission. During the execution of the search warrants, three establishments submitted their ABC permits for cancellation due to the discovery of illegal ownerships.

On May 25, 2011, Special Agent Wayne Bissette coordinated a controlled delivery of approximately 32 pounds of marijuana after receiving information the marijuana was being shipped in a vehicle on a transport truck from Arizona. The driver of the truck cooperated with law enforcement, and ASAC Brad Putnam worked in an undercover capacity by posing as the truck driver. Surveillance was conducted during the delivery at an apartment complex where the suspect lived, and a search warrant was executed at 8901 Half Moon Court, Apt. 106, Raleigh, resulting in the marijuana being seized. Dominick Whitaker was charged with felony possession and conspiracy to traffic marijuana. McKenzie Armwood and Dareese Boddie were charged with six felony charges related to the delivery of the marijuana.



Although innocuous at first glance, this package contained over 32 pounds of marijuana.

Responding to complaints from the community, District IV agents and the Durham Police Department served five search warrants and conducted one consent search at illegal ABC outlets in Durham on March 18, 2011. Items seized included malt beverages, spirituous liquor, non-tax paid liquor, marijuana, a trafficking amount of prescription medications (58 pills of Percocet), gambling paraphernalia, and US currency. Eight persons were charged with alcohol, gambling, and drug violations.

In June, a joint operation between ALE and Raleigh Police during the Phish concert resulted in 77 arrests with 121 charges, including 32 felony drug charges, 62 misdemeanor drug charges, 11 underage possession of alcoholic beverage charges, and 13 charges of selling and/or possessing alcoholic beverages for sale without ABC permits. In September, District IV agents worked with members of the Raleigh Police Department, Wake County Sheriff's Office and Wake County ABC during the Widespread Panic concert. The operation resulted in 61 arrests with 117 charges, including 30 felony drug charges.

On July 29, 2011, Special Agent Kyle Barbee concluded a long term investigation involving sports betting and high stakes poker. The subject of the investigation was Charles Ronald Coates, owner of the Korner Pocket, an ABC licensed establishment located at 8508 Capital Boulevard in Raleigh. District IV agents executed three search warrants at locations in Raleigh and Wendell. Ten persons were charged with various gambling offenses and \$188,759 in US currency was seized, along with poker and craps tables, computer and surveillance equipment, marijuana, drug paraphernalia, and an AR-15 assault rifle. Two video gaming machines and \$3,179 in US currency were seized from the Korner Pocket. The case was referred to the Internal Revenue Service.

District V - Fayetteville
Special Agent In Charge David O. Williams

Counties: Cumberland, Harnett, Hoke, Lee,
 Montgomery, Moore, Richmond, Robeson,
 Sampson, Scotland and Wayne.



In February, District V agents responded to complaints in Wayne County regarding child prostitution, gang activity, controlled substance and alcohol violations at an ABC licensed restaurant. Agents coordinated a multi-agency operation resulting in the execution of a search warrant at the establishment and the arrest of 21 persons on charges including felony drug violations, resisting and obstructing officers, and various alcohol charges. Seized during the search warrant were controlled substances, a firearm, fraudulent identification documents, and US currency. Five confirmed MS-13 gang members were identified and photographed.

Responding to community concerns and requests for assistance from local law enforcement, District V personnel concluded a long term undercover controlled substance operation in Montgomery County. Twenty-two people were arrested and charged with 205 felony drug and gun charges as well as 12 misdemeanor controlled substance charges. Working jointly with the Bureau of Alcohol, Tobacco, Firearms and Explosives, one of the cases has now been adopted for federal prosecution by the US Attorney's Office.

In 2011, District V agents continued to focus their efforts on problem ABC licensed outlets which were a major source of violence. Five locations where violent criminal activity was occurring were targeted. The five locations were responsible for 12 persons being shot and four persons being stabbed. The locations were the source of over 1,000 combined calls for service to local law enforcement and a major drain on local law enforcement resources. The calls for service included weapons violations, shootings, stabbings, fights, disorderly conduct, property crimes, and various other criminal activity. District V agents made multiple arrests of patrons and employees at the establishments and seized a significant amount of drugs, alcohol, and weapons preventing further violent activity from occurring. Agents filed unsuitable to hold permit violations on all five of the locations and also filed affidavits for a

summary suspension of permits with the ABC Commission on one location. Four of the five locations are now closed and the manager/owners are awaiting hearings in court for criminal charges. The closing of these locations has made the local communities around these establishments safer and created a safer working environment for local law enforcement.

Illegal ABC outlets are the source of many violent and dangerous crimes, such as shootings, homicides, drug dealing, and robbery. Many outlets are operated from homes and in residential neighborhoods and do not open until after 2:00 a.m., when legitimate bars and nightclubs are closed. Neighbors of these establishments must endure the late night noise, disturbances, and infestation by the criminal element attracted to the activities in and around these illegal outlets. In 2011 District V agents identified and searched 51 illegal outlets, resulting in the arrests of many operator/owners of these locations. Charges included controlled substance, alcohol, and firearms offenses.

In 2011, District V agents utilized their investigative skills to conduct six exhaustive and thorough source investigations involving the deaths of eight persons under the age of 21. The investigations resulted in the arrests of 24 persons, with 11 identified as the source of the alcoholic beverages which ultimately contributed to the deaths of the eight underage persons. Three ABC licensed establishments were also identified and charged with selling alcoholic beverages to underage persons in three of the investigations. As a result of the thorough investigation conducted by a District V agent, the District Attorney's Office upgraded the charges on one person from manslaughter to second degree murder.

District VI - Greensboro
Special Agent In Charge Rodney T. Beckom

Counties: Alamance, Caswell, Davidson,
Davie, Forsyth, Guilford, Randolph,
Rockingham and Stokes.



In March, District VI agents and the Winston Salem Police Department concluded a six month controlled substance investigation into three problem outlets in Winston Salem, including two licensed outlets and one illegal outlet. All three of the locations were part of the district's Community Betterment Initiative. During the course of the investigation, it was discovered a drug network existed within the licensed outlets, which led to search warrants at two residences. The final phase of the investigation resulted in the execution of five search warrants, the arrest of 35 people on 82 charges, and two administrative violations submitted to the ABC Commission. A majority of the arrestees were employees of the licensed outlets and were charged with felony controlled substance violations.

In June, District VI agents concluded a two month investigation into a counterfeit documents lab. The targets, Alfredo Martinez and Delia Sosa Pacheco, were manufacturing

counterfeit Social Security cards and Resident Alien cards to distribute to illegal aliens in Alamance County. A search warrant was executed at the suspects' residence in Green Level. Pacheco was arrested and charged with manufacturing and financial identity theft. Agents seized a computer hard drive, printer, multiple fraudulent Social Security Cards, Resident Alien Cards, and multiple pieces of paraphernalia used to manufacture counterfeit documents. The Alamance County Sheriff's Office assisted with the investigation, which received positive coverage by the local media.

June proved to be a busy month as District VI agents coordinated with other ALE districts to converge on Greensboro for an operation related to a notorious event known as "Super Jamz." Agents worked the event venue and saturated the affected areas of the city, as well as on and off premise outlets around the event. The effort was a joint operation with Greensboro Police Department, UNC-G Police, Guilford County Sheriff's Office, and a local church. The effort was also Community Betterment related due to criminal activity associated with the event in years past, including one homicide. Agents and local police made 120 arrests on 134 charges, including two felony drug arrests and one fugitive arrest. Seizures included \$4,000 in US currency and five weapons, including one stolen firearm. An administrative violation was submitted to the ABC Commission for a location unsuitable to hold ABC permits.

On November 9, District VI agents concluded a nine month investigation alongside Homeland Security, the Forsyth County Sheriff's Office, and Winston Salem Police Department. Agents assisted with the lead in the investigation and developed the necessary probable cause to facilitate the execution of search warrants at three suspect locations. ALE cooperating sources played an integral role in facilitating information aiding in the conclusion of the case. The effort resulted in the arrest of one suspect on federal drug charges and the seizure of 45.5 kilos (over 101 pounds) of cocaine and \$353,513 in US currency. More arrest warrants have been requested through the US Attorney's Office. The street value of the seized controlled substances was estimated at \$4.5 million.



Some of the cocaine and US currency seized as a result of cooperative efforts between ALE, HSI, FCSO and WSPD.

In December, District VI concluded a four month joint investigation in Liberty. The investigation focused on drug networks operating in and around the Town of Liberty and involved the Liberty Police Department, Thomasville Police Department, and the Sheriff's Offices from Randolph and Alamance counties. The effort resulted in the arrest of 30 targets

on over 174 felony drug charges, including trafficking in prescription controlled substances. District VI executed four search warrants and seized one vehicle. The effort was the largest drug enforcement effort in the history of the Town of Liberty.

District VII - Conover
Special Agent In Charge Samuel D. Ashley

Counties: Alexander, Alleghany, Ashe, Avery,
 Caldwell, Catawba, Cleveland, Iredell,
 Lincoln, Surry, Watauga, Wilkes and Yadkin.



On January 9, 2011, Special Agent Matt Stemple received a call from Catawba County communications indicating that Sheriff's Deputies had been called to an underage house party. Upon their arrival, Special Agents Stemple, Marley, and Carroll observed several underage persons, beer bottles lying in the yard, and evidence of a party. A search warrant was issued as the result of the agents' observations, and the search revealed an underage resident was home alone while his parents attended a funeral out of the country. A total of 18 persons were present at the party, 16 of which were charged with underage possession of alcoholic beverages, and two 15 year olds were served with juvenile petitions. This case is one example of District VII's focus on house parties. During 2011 a total of 65 persons were charged with underage possession of alcoholic beverages at house parties. Five others were charged with aiding and abetting, as hosts or parents.

On September 8, 2011, Special Agent Britt Carroll and the Catawba County Sheriff's Office concluded an investigation by serving a search warrant, which led to the discovery of several distilleries at one location. Approximately 31 gallons of non tax-paid liquor, marijuana seeds, \$13,000 in cash, and 40 firearms were seized. One arrest was made for manufacturing non tax-paid liquor and the possession of non tax-paid liquor.

In November 2010, citizens in Shelby, NC began complaining about gambling at a "sports club" in the community. As a result, controlled purchases of drugs and alcoholic beverages were made from the residence.



Distillery equipment, supplies and non tax-paid liquor seized from a residence in Catawba County, NC.

On January 23, 2011, Special Agent Mark Lesassier, assisting the Cleveland County Sheriff's Office, executed a search warrant at the illegal outlet. The search yielded \$6,720 in US currency, three four-gram baggies of marijuana, 220 355ml containers of alcoholic beverages, and 12.68 liters of spirituous liquor. Two persons were arrested and held under \$25,000 bonds. The sheriff praised the combining of resources to work toward making the community a better place.

On April 8, 2011, Special Agent Mark Lesassier assisted the Cleveland County Sheriff's Office with the arrest of several drug violators. The CCSO had been purchasing illegal narcotics in an undercover operation, and had secured 19 indictments. Arrests totaled 22 people on 77 charges, and seizures included 159 grams of marijuana and 150 pieces of crack cocaine.

On June 25, 2011, Special Agent Kelli Lawrence organized an operation at Vinny's Lake Norman Restaurant in Mooresville. The operation included out of district undercover agents as well as enforcement agents, and centered on the outlet's annual bikini contest. The event brought hundreds of patrons from land and water. Two undercover agents were inside the business, several agents covered the parking area, and two agents paired with Wildlife Resources Commission officers worked the water. In the end, 12 persons were arrested ranging from DWI, underage possession of alcoholic beverages, open containers, simple possession of marijuana, and felony possession with intent to manufacture, sell or deliver marijuana. In addition, violation reports were submitted for allowing employees to consume alcoholic beverages while working and wholesaler violations that occurred on the premises.

District VIII - Charlotte
Special Agent In Charge John R. Griffin

Counties: Anson, Cabarrus, Gaston,
 Mecklenburg, Rowan, Stanly and Union.



District VIII agents made strong contributions in 2011 toward reducing the illegal possession and sale of controlled substances in Howie Acres, a Charlotte neighborhood that has suffered with drug dealing for years. In 2009, the Charlotte-Mecklenburg Police Department put up barricades to make it more difficult for drug dealers to get in and out. ALE partnered with CMPD in a 13-month investigation during which an agent made over 20 undercover cocaine purchases. As a result of the investigation, the two agencies raided two houses and took six drug dealers to jail.

District VIII Special Agent Mike Tobin received the 2011 Gang Officer of the Year award at the annual gang conference in Durham. Special Agent Tobin was a Federal Task Force Officer assigned to the Homeland Security Gang Task Force in Charlotte.

For three weeks in 2011, over 200,000 people attended NASCAR events at the Charlotte Motor Speedway in Concord, NC. District VIII personnel worked closely with local law enforcement agencies conducting enforcement, surveillance, and undercover operations. At the end of the operation, 187 people were arrested on various charges and over 100 liters of non tax-paid liquor was seized.

In 2011, District VIII agents partnered with HSI, the National Football League, and investigators from the North Carolina Secretary of State's Office, targeting people selling counterfeit merchandise at different locations within the district. During the year, a total of 13 individuals were arrested and over \$375,142 worth of counterfeit merchandise was seized.

A reduction in street gang activity was made possible through the strong contributions of District VIII agents working cooperatively with local and federal law enforcement agencies. Agents participated in Project Southern Tempest, the largest ever HSI-led gang enforcement operation, which targeted gangs with ties to drug trafficking organizations. This nation-wide law enforcement initiative led to the arrests of 45 suspected gang members and affiliates in and around the Charlotte area. Of the 45 arrested, 16 lived in Charlotte and 29 were living in Gastonia. The gang affiliations included the Asian Boys Crips, Bloods, Collateral, CRIPS, Surenos, and Trap Boys.



Although a part of NASCAR history, moonshine isn't welcome at the Charlotte Motor Speedway.

District IX - Asheville
Special Agent In Charge David P. Hales

Counties: Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania and Yancey.



Special Agent Dave Miller conducted a special operation focusing on non tax-paid liquor in Transylvania County. Special Agent Miller executed a search warrant and located a marijuana plant, a small amount of marijuana, drug paraphernalia, and evidence of the illegal possession of endangered animals. The suspect was arrested and charged with manufacturing

marijuana, possession of marijuana, possession of drug paraphernalia, possessing parts of an illegal distillery, and selling non tax-paid liquor. The North Carolina Wildlife Resources Commission was called to investigate the violations associated with the unlawful possession of animal remains. Special Agent Miller and other district agents also assisted the Transylvania County Sheriff's Office with marijuana eradication, locating and seizing 76 marijuana plants.

Special Agent Travis Campbell conducted two special operations involving drug purchases and a weapons purchase. Marijuana and a handgun were purchased by Special Agent Bradley Baker. On the last planned drug purchase, Special Agent Baker was robbed by the suspect displaying a knife. The suspect demanded the money and was accompanied by three other suspects. After the robbery all four suspects fled the area on foot, but three were quickly captured. The fourth suspect was apprehended approximately four hours later. After contacting the District Attorney, two of the suspects were charged with armed robbery. More arrests are anticipated in the case.

Special Agent Bradley Baker conducted a special operation in Haywood County centered on a marijuana farming operation, during which 185 marijuana plants were found and seized, and two suspects were located and arrested. The State Bureau of Investigation, Haywood County Sheriff's Office, and the North Carolina State Highway Patrol assisted.

Special Agent Web Corthell conducted an investigation into a person selling non tax-paid liquor on information provided that indicated a white male sold or traded the liquor to underage females in exchange for nude pictures of them. The suspect also admitted to engaging in sex with a 16 year old female and said he was not opposed to having sex with younger females. Special Agent Natalie Mason was introduced to the suspect and purchased several quarts of non tax-paid liquor. A search warrant was executed in January 2012, and the suspect was arrested for selling non tax-paid liquor and the solicitation of a minor. The suspect texted an undercover Asheville Police Officer who was working with ALE during the investigation with proposed sex acts. The case is under review by the US Attorney's Office for prosecution of internet sex crimes to include child pornography.



Special Agents Bradley Baker & Travis Campbell with marijuana plants from Haywood County.

Special Agent Scott Ogle worked an investigation of an illegal still in Haywood County. As a result of a lengthy investigation, Special Agent Ogle executed two search warrants and located a still, a small indoor marijuana grow operation, and the remains of a bear, illegal to possess in North Carolina. The NC Wildlife Resources Commission was contacted and is conducting further investigation. Two arrests were made for manufacturing marijuana, possession of marijuana, possession and manufacture non tax-paid liquor.

Partnering with local law enforcement agencies, concerned citizens, and the North Carolina ABC Commission, the ALE Office of Special Investigations proactively focused its 2011 efforts toward community betterment through nuisance abatement. North Carolina law enforcement agencies requested ALE nuisance abatement assistance more than 15 times in 2011.

The investigation, preparation, and disposition of civil nuisance abatement actions can be very time-consuming and involve months of work. For example, it is often a lengthy and difficult process to determine the lawful owner of real estate when there is no clear succession of ownership. Yet, in the long run, nuisance actions have a positive effect on locations where law enforcement agencies spend many man-hours policing. Law enforcement agencies often see monetary savings by reducing future responses to nuisance locations. In several instances during 2011, locations which permitted illegal activity for years were successfully closed, thus reducing the burden on law enforcement and the surrounding communities. Following are some examples of successful nuisance abatement assistance ALE provided to local communities: a small town residential neighborhood where an auto repair shop fronted for an illegal nightclub, a metropolitan commercial hub where a motel served as a haven for criminal activity, a home used as a “crack house” in a small coastal town, and a gang-infested ABC permitted nightclub in the downtown area of a coastal city. A statistical analysis performed after the nightclub was closed showed violent crime in the downtown area was reduced 65% from the previous year.



Drugs, prostitution, and violent crime were the norm for this motel in Greensboro until a nuisance action was filed.

In many instances, litigation is not required in public nuisance investigations. For example, in May 2011, a homicide occurred at an ABC permitted business in southeastern North Carolina. A subsequent investigation revealed many patrons frequenting this business were validated gang members. As local ALE personnel conducted an investigation into the outlet being unsuitable to hold ABC permits, the Office of Special Investigations worked with the city government to notify the out-of-state property owner of the illegal activities and potential consequences of a nuisance action. The ABC Commission revoked the ABC permits less than a week after the homicide. The property owner, when faced with the potential loss of income from court ordered property restrictions and payment of investigative costs and attorney’s fees adding up to thousands of dollars, took sufficient steps to voluntarily abate the

nuisance by evicting the tenant and no longer leasing the real estate for operation of an ABC permitted establishment.

Civil nuisance abatement actions are not a “quick fix.” When local law enforcement agencies lack the resources or experience in such cases, upon written request, ALE will send staff to any area of the state to provide technical assistance for a nuisance abatement investigation. Arrest reports, calls for police service, and search warrants contained in local departmental records, as well as police officers’ and residents’ affidavits, are all used in this process. All evidence is compiled and provided to the potential plaintiff’s attorney for review. After a public nuisance is judicially found to exist, civil fines, liens, invalidation of leases, and jail terms for contempt of court may be imposed on defendants who violate nuisance abatement court orders. Additionally, residents who have endured years of illegal activities in their neighborhood are reassured that law enforcement is working to eliminate the adverse impact caused by criminal havens in local communities.

During 2011, the Office of Special Investigations continued providing assistance to the North Carolina ABC Commission investigating complaints against employees of local ABC systems. One investigation initially centered on a local ABC system manager receiving gifts and items of value from liquor vendor representatives. The case turned into an embezzlement investigation after discovery of numerous instances when the manager improperly used an ABC board credit card to pay for personal items. In addition to interviewing more than 35 people to uncover violations of the ABC laws and regulations, ALE scrutinized credit card records containing over 900 purchase transactions by employees of the local ABC board. The system manager resigned from employment.



Seemingly innocent, this neighborhood property served as a source of crack cocaine in Carteret County.

A second ABC system investigation focused on the alleged theft of money (\$14,000) by the system manager. During an interview, the manager, whose employment had been terminated, confessed to embezzling money from an ABC store during 2011 and in 2008. She was subsequently arrested and charged with 11 counts of embezzlement.

The Alcohol Law Enforcement Division continues to expect and demand that our personnel be professional and accountable for their actions. In 2011, the Professional Standards & Development Unit investigated 25 internal inquiries or investigations, a decrease of 28% from 2010. A continued emphasis on professionalism and customer service, combined with the agents' understanding of the importance of taking the agency to a higher level, played a role in the decreased number of complaints. Agents realize that internal investigations are necessary to maintain and improve accountability, and having a fair system in place instills pride and professionalism among Division personnel. We believe this standard ensures that ALE continues to provide the highest quality service to North Carolina citizens.

The 27th ALE Basic School Graduation took place on May 20, 2011. Six ALE agent trainees graduated and began their career as ALE special agents. Their basic school experience included 13 weeks and over 500 hours of specialized training. The ALE basic school curriculum is customized and designed to prepare trainees for the challenging and multi-faceted job of an ALE special agent.

During 2011, each special agent completed 39 hours of training mandated by the North Carolina Education and Training Standards Commission, the Commission on Accreditation for Law Enforcement Agencies (CALEA), and the Occupational Safety and Health Administration (OSHA).

In addition to the mandated annual training, special agents attended other training: asset forfeiture, gang investigations, EMT, officer survival, Spanish, leadership development, terrorism, interview and interrogation, public records laws, and sovereign citizen training, just to name a few. ALE special agents are encouraged to continue expanding their knowledge through utilizing resources at local community colleges and the NC Justice Academy.



Graduates of the 27th ALE Basic School.

The Alcohol Law Enforcement Division believes that accreditation is a continual process, essential to setting and maintaining the high level of law enforcement service and professionalism owed to the citizens of North Carolina. It is the responsibility of the accreditation office to ensure that professionalism and integrity run as parallel threads in every component of the Division.

In April 2011, ALE participated in its third accreditation on-site assessment. CALEA-certified assessors from South Carolina and Oklahoma studied the Division's policies, processes, and procedures; interviewed employees and community members; and received input from members of other law enforcement agencies.

In July, the Division was one of 17 agencies nationwide to receive the designation of Advanced Accreditation with Excellence from the Commission on Accreditation for Law Enforcement Agencies.



Not only was ALE awarded with CALEA accreditation in 2011, it was recognized as one of only 17 Agencies of Excellence.

In addition to the on-site, ALE provided accreditation expertise to numerous local law enforcement agencies during the 2011 calendar year.

In conjunction with accreditation duties, the accreditation office is responsible for the compilation of annual analyses for the Division's high liability areas, including, but not limited to, uses of force, grievances, internal affairs investigations, and the Division's internal personnel early warning system. These analyses serve as a check and balance to ensure that the Division is serving the general public and the members of the agency with professionalism, integrity, and consistency.

In the latter part of 2011, the Division's Accreditation Manager served as a member of the Transition Team for the consolidation of the new Department of Public Safety. This team was responsible for the merger of the administrative areas of the former Departments of Correction, Juvenile Justice and Delinquency Prevention, and Crime Control and Public Safety.

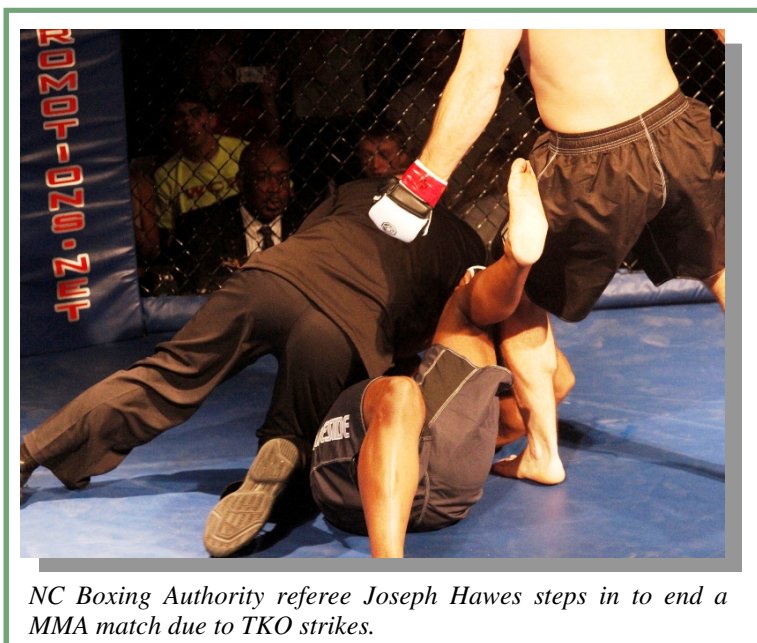
2011 was the busiest and most productive year since the Boxing Authority's creation in 2004. Through hard work we held a record high of 94 sanctioned events, a 17% increase from 2010. Mixed martial arts (MMA) events continued to be most popular, accounting for 73% of the total events. Toughman events were 14% and the remainder were professional boxing events.

The Boxing Authority continues to be active in investigating and stopping fighters from competing in matches after submitting fictitious documents related to blood testing. Two fighters are under investigation for submitting unverifiable blood test results. This protects the other fighter, officials, and spectators.

In 2011, the Boxing Authority coordinated and hosted its largest annual training to date, with 85 attendees comprised of judges and officials for boxing and mixed martial arts. Attendees were from all across the United States. Presenters were Duane Ford of Las Vegas, NV, and Kevin MacDonald of Boston, MA. Attendees had to participate and successfully pass both practical and written evaluations. This year's practical evaluations required the participant to administer and apply various mixed martial arts positions such as the triangle, rear naked choke, and kumara. Approximately 90% of the attendees successfully completed the evaluation and were awarded a certification.

The Boxing Authority employs more than 30 civilians as boxing/MMA judges and referees, and twelve inspectors, creating over \$120,000 in salaries for these officials. We currently have six ALE special agents trained to assist and serve as Boxing Authority representatives in the field. These representatives allow the Boxing Authority to sanction more events throughout the state and to be more effective and efficient with time management.

The Boxing Authority completed an office renovation in 2011 to ensure the security of records and the safety of the Authority's staff. We issued over 2,000 licenses to promoters, matchmakers, managers, cornermen, judges, referees, timekeepers, announcers, and fighters. The Boxing Authority maintains records on over 9,000 amateur and professional fighters and toughman contenders.



NC Boxing Authority referee Joseph Hawes steps in to end a MMA match due to TKO strikes.

The Alcohol Law Enforcement Bingo Licensing Section is responsible for the regulation of non-profit bingo operations throughout North Carolina. This responsibility includes the processing of applications to conduct non-profit bingo operations and the issuance of an annual license to operate bingo games.

In 2011, the Bingo Licensing Section processed over 200 bingo licenses. In addition to the issuance of each license, the section also conducts an annual audit of each licensee, including a review of all operational reports, and a thorough examination of the distribution of bingo proceeds. These audits ensure each licensed bingo organization is in compliance with North Carolina General Statutes and that gaming participants are afforded fair gaming opportunities. In 2011, non-profit bingo operations in North Carolina reported receipts of over 17 million dollars with over 1.4 million dollars donated to charitable organizations.



The Bingo Licensing Section works diligently to ensure bingo games are conducted consistently and fairly across the state.

Over the past year, more than 1,000 phone inquiries from license holders, the general public, and local law enforcement were fielded by the Bingo Licensing Section and over 100 bingo-related complaints were investigated.

This section is supported through receipts, with the \$200 annual license fee being returned to the section's budget. However, the generated receipts have to be augmented by ALE's general fund appropriation to continue the program.

A part of ALE's core mission is to keep age-restricted tobacco products out of the hands of minors. To accomplish this goal, ALE combines merchant education with a compliance check program.

In 2011, ALE began disseminating Red Flag merchant education packets that include in-store displays and materials for use by retailers during responsible service employee training, the overall goal being to increase retailer compliance with the state's youth access to tobacco products law. Over 5,000 retailer packets, available in English and Spanish language versions, have been distributed. Special agents participated in the Red Flag training sessions and Tobacco Reality Unfiltered (TRU) group meetings and presentations throughout the year.

In June 2011, ALE launched a targeted direct mail Red Flag postcard campaign to 1,783 retail outlets in areas with the highest non-compliance rates which had illegally sold tobacco products to minors during ALE compliance checks within the past three years. The postcard focused on the NC driver license color codes and highlighted tips to avoid selling tobacco products to underage persons.



During 2011, ALE special agents and minors conducted 3,095 tobacco compliance checks, detecting 423 illegal sales for a 13.7% non-compliance rate, well within the State non-compliance goal of 20% or less.

Also in 2011, ALE began to award a new incentive, a lapel pin and thank you card, to retail clerks who do not sell tobacco products to the minor during tobacco compliance checks. The lapel pin carries the message, "Kids Can't Buy 'Em Here" and "I Didn't Sell." The pin serves as a reminder to check purchaser identification during sales of tobacco and other age-restricted products. Special agents have awarded more than 2,300 lapel pins since their introduction.

The Tobacco Regulation section responded to 32 requests in 2011 for technical assistance from grantees, schools, and other local agencies to provide compliance check data, retailer location lists, merchant education materials, Power Point presentations, planning and brainstorming to enhance their local tobacco use prevention programs.

Special Agent Eric Hill and Assistant Special Agent In Charge Terrance Merriweather were recognized for their performance in an awards ceremony on March 24, 2011. Special Agent Hill received the Distinguished Service Award and the Secretary's Gold Circle Award for his work as an undercover operative. ASAC Merriweather received the Secretary's Gold Circle Award for his reorganization of the NC Boxing Authority.

(Secretary Young, DDO Page, SA Hill, ASAC Merriweather, Director Ledford)



On June 30, 2011, Secretary Young presented Deputy Director for Operations Allen Page with the Meritorious Service and the Secretary's Gold Circle awards. DDO Page was nominated by Director Ledford for his vision in bridging the work of field operations with support operations at the headquarters level and development of long-range planning goals for the Division.

Cathleen Poole received the Department's Award of Merit and the Secretary's Gold Circle award for her preparation of the documentation necessary for FEMA reimbursement for field operations after Hurricane Irene. Ms. Poole's work on this project ensured field personnel were promptly compensated with overtime pay and for per diem expenses related to their deployments after the natural disaster.





On October 27, 2011, Secretary Young presented the Department Commendation Award and the Secretary's Gold Circle award to Special Agent Michael Kellerman in recognition of his efforts to assist a motorist in an overturned vehicle. Special Agent Kellerman broke out the windshield of the vehicle and found one of the occupants was suffocating on a seatbelt wrapped around her neck. Special Agent Kellerman cut the seatbelt away and supported the victim's head and neck until EMS arrived.

Special Agent Kenneth Simma was recognized on October 27, 2011 with the Division's Award of Excellence for his work in organizing a large-scale illegal gambling investigation and operation. Special Agent Simma's efforts led to the seizure of over a half million dollars and the successful prosecution of five defendants. The Internal Revenue Service estimated the illegal organization had generated approximately \$30 million over the last ten years.

